

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	158.75	158.75	154.25	154.25	158.75	154.25	(4.50)	(2.83)%
Personal Services	6,925,138	7,312,278	7,889,435	7,892,696	14,237,416	15,782,131	1,544,715	10.85 %
Operating Expenses	11,252,333	11,999,828	16,209,727	16,551,972	23,252,161	32,761,699	9,509,538	40.90 %
Equipment & Intangible Assets	96,500	114,028	96,500	96,500	210,528	193,000	(17,528)	(8.33)%
Debt Service	36,298	616,700	36,298	36,298	652,998	72,596	(580,402)	(88.88)%
Total Costs	\$18,310,269	\$20,042,834	\$24,231,960	\$24,577,466	\$38,353,103	\$48,809,426	\$10,456,323	27.26 %
General Fund	8,354,831	8,575,280	10,578,550	10,738,524	16,930,111	21,317,074	4,386,963	25.91 %
State/Other Special Rev. Funds	9,368,970	10,876,295	13,066,942	13,252,474	20,245,265	26,319,416	6,074,151	30.00 %
Proprietary Funds	586,468	591,259	586,468	586,468	1,177,727	1,172,936	(4,791)	(0.41)%
Total Funds	\$18,310,269	\$20,042,834	\$24,231,960	\$24,577,466	\$38,353,103	\$48,809,426	\$10,456,323	27.26 %

Program Description

The Motor Vehicle Division (MVD) under provision of Title 61 and Title 23, MCA and federal statutes (such as the Commercial Motor Vehicle Safety Act of 1986, child support regulations, Anti Car Theft Act of 1992, and Odometer Disclosure Act) is responsible for:

- Examination and licensure of all drivers
- Verification of identification
- Creation and maintenance of permanent driver and motor vehicle records
- Titling and registration of all vehicles including boats, snowmobiles, and ATVs
- Inspection and verification of vehicle identification numbers
- Licensure and compliance control of motor vehicle dealers and manufacturers
- Providing motor voter registration

Program Highlights

Motor Vehicle Division Major Budget Highlights
<ul style="list-style-type: none"> • The budget would increase largely due to: <ul style="list-style-type: none"> ◦ Global statewide present law adjustments, including annualization of increases funded in HB 13 ◦ An adjustment to annualize costs associated with replacement of a contract to provide driver's license processing and production services ◦ An adjustment to support the rolling reissuance of motor vehicle license plates
Major LFD Issues
<ul style="list-style-type: none"> • Driver's license contract costs are speculative

Program Discussion -

FY 2016 and FY 2017 contain any reductions in FTE made by the executive to implement the boilerplate language in HB 2. Though intended by the legislature, the FY 2014 and FY 2015 FTE levels do not reflect this language.

Personal Services

In the FY 2015 legislative budget, personal services comprised 35.8% of the program budget. The Governor proposes 32.6% in FY 2016 and 32.1% in FY 2017. The reduction in percentage despite an increase in total costs is due to several requests to increase operating expenses. The increases in costs are due to:

- Funding to annualize the 2013 legislative pay plan

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Justice, 12-Motor Vehicle Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	21,317,074	0	0	21,317,074	43.58 %	
02200 Permits and Transfer Plates	22,500	0	0	22,500	0.09 %	
02225 MVD Inform Tech System HB577	0	0	0	0	0.00 %	
02390 Spec Motorcycle Lic Plates	0	0	107,000	107,000	0.40 %	
02422 Highways Special Revenue	13,739,716	0	0	13,739,716	51.99 %	
02456 Insurance Verification SB508	10,611,104	0	0	10,611,104	40.15 %	
02798 MVD IT System - HB261	1,946,096	0	0	1,946,096	7.36 %	
State Special Total	\$26,319,416	\$0	\$107,000	\$26,426,416	54.02 %	
03801 Dept Of Justice-Misc Grants	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06080 MVD/State Information Portal	0	0	0	0	0.00 %	
06083 MVD ELECTRONIC COMMERCE	1,172,936	0	0	1,172,936	100.00 %	
Proprietary Total	\$1,172,936	\$0	\$0	\$1,172,936	2.40 %	
Total All Funds	\$48,809,426	\$0	\$107,000	\$48,916,426		

Driver's licensing and vehicle titling and registration functions are supported by the general fund and highways state special revenue fund. State special revenues collected for vehicle registration fees support payment of debt that was incurred for the development and implementation of the computer system known as the Montana Enhanced Registration and Licensing Information Network (MERLIN) and the vehicle insurance verification system. Proprietary funds collected from fees charged for e-government services support online web based services that may be used by the public.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	8,575,280	8,575,280	17,150,560	80.45 %	20,042,834	20,042,834	40,085,668	82.13 %
PL Adjustments	2,003,270	2,163,244	4,166,514	19.55 %	4,189,126	4,534,632	8,723,758	17.87 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$10,578,550	\$10,738,524	\$21,317,074		\$24,231,960	\$24,577,466	\$48,809,426	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments									
-----Fiscal 2016-----					-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law									
0.00	(217,357)	1,030,794	0	813,437	0.00	(461,608)	1,338,755	0	877,147
DP 99 - LEG. Present Law									
0.00	2,220,627	1,159,853	0	3,380,480	0.00	2,624,852	1,037,424	0	3,662,276
Grand Total All Present Law Adjustments									
0.00	\$2,003,270	\$2,190,647	\$0	\$4,193,917	0.00	\$2,163,244	\$2,376,179	\$0	\$4,539,423

DP 98 - LEG. Personal Services Present Law -

The following table outlines various components of the changes included in the PS PL adjustments.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	154.25	\$58,158	\$16,808	\$0	\$74,966
Executive Implementation of 2015 Pay Increase		99,138	24,803	-	123,941
Fully Fund 2015 Legislatively Authorized FTE		185,881	102,674	-	288,555
Other		(560,533)	886,509	-	325,976
Personal Services Present Law Adjustments	154.25	(\$217,357)	\$1,030,794	\$0	\$813,437
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	154.25	\$58,158	\$16,808	\$0	\$74,966
Executive Implementation of 2015 Pay Increase		100,394	23,547	-	123,941
Fully Fund 2015 Legislatively Authorized FTE		185,881	102,674	-	288,555
Other		(806,041)	1,195,726	-	389,686
Personal Services Present Law Adjustments	154.25	(\$461,608)	\$1,338,755	\$0	\$877,147

The executive has proposed to increase funding for personal services by 10.0% in FY 2016 and FY 2017 compared to the FY 2015 legislative budget.

Changes that make up the other adjustments include the following:

- Annualize funding for pay adjustments made at the agency's discretion
- Annualize funding for pay adjustments made pursuant to a negotiated pay settlement

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments				
FY 2016				
	General	State	Federal	Total
CP 99 Item	Fund	Special	Special	Funds
Miscellaneous Present Law Adjustments	\$4,117	\$2,745	\$0	\$6,862
Replace Driver's License Contract	1,071,940	714,627	-	1,786,567
MVD License Plate and Insurance Verification	-	3,147,092	-	3,147,092
Information Technology Consulting	517,680	345,120	-	862,800
Other	626,890	(3,049,731)	-	(2,422,841)
Legislative Present Law Adjustments	\$2,220,627	\$1,159,853	\$0	\$3,380,480
FY 2017				
	General	State	Federal	Total
CP 99 Item	Fund	Special	Special	Funds
Miscellaneous Present Law Adjustments	\$38,967	\$25,978	\$0	\$64,945
Replace Driver's License Contract	1,092,621	728,414	-	1,821,035
MVD License Plate and Insurance Verification	-	3,150,277	-	3,150,277
Information Technology Consulting	517,680	345,120	-	862,800
Other	975,584	(3,212,365)	-	(2,236,781)
Legislative Present Law Adjustments	\$2,624,852	\$1,037,424	\$0	\$3,662,276

The executive has proposed to increase funding for all other expenditure categories excluding personal services by 27.0% in FY 2016 and by 29.6% in FY 2017 compared to the FY 2015 legislative budget. Changes that make up the other category include the following, while individually listed adjustments are described separately:

- Increases in costs to purchase information technology services from the Department of Administration
- Increases in costs for renting office space from the Department of Administration
- FY 2014 expenditures for printing, postage and mailing, office equipment, rent of non-Department of Administration office space, maintenance contracts that are higher than the FY 2015 legislative budget

The executive proposes higher costs for information technology services and office rent provided by the Department of Administration. The costs are budgeted as a fixed cost in this program to allow it to make payments for the services.

In FY 2014, expenditures were higher than the FY 2015 legislative budget. The executive has requested funding for these expenditures at the FY 2014 expenditure level. The largest expenditures of note are listed above.

Miscellaneous Present Law Adjustments - The executive requests adjustments to funding for rent of non-state office space, postage, and printing costs.

Replace Driver's License Contract - The executive requests funding for cost increases anticipated when replacing the expiring vendor contract that provides driver license related services. Services include image capture and comparison, card production, customer scheduling, and automated written and road test tablets. The state special revenue is from the restricted highways state special revenue account.

LFD Driver's License Contract Increase Speculative

ISSUE

The base has nearly \$1.6 million for this contract. The current contract expires in FY 2015 and was a seven-year contract without annual inflation adjustments. Requests for proposals have been issued for replacement of the contract that currently provides three primary services under a single vendor: 1) image capture and comparison and card production; 2) customer scheduling; and 3) automated written and road test tablets. When finalized, the replacement

contract could provide the three primary services by as many as three vendors and would be for as many as ten-years at a fixed rate.

This request would result in funding at roughly 2.3 times the amount expended in the base for the same services. The main reason for the increase is the anticipated catchup of inflationary adjustments from the fixed seven-year contract and the anticipation that the new ten-year contract would be higher to address future inflationary pressures for the life of the proposed ten-year contract.

Because the amounts of the increase are based somewhat on speculation of contract bids, the legislature may want to guard against the possibility that the full funding would not be realized in actual expenditures and used for other purposes in the agency. The legislature may want to consider restricting the funding for this request to be used only for the driver's license contract in the year of the appropriation and specify that the funds may only be used after base funding has been exhausted.

MVD License Plate and Insurance Verification - The executive requests funding to annualize expenditures associated with issuing new license plates as required by MCA, 61-3-332(3). The statutory reissuance of license plates will increase contracted services for plate manufacture, inventory control, storage, and distribution of reissued license plates.

**LFD
COMMENT**

Factors for Increase

The department contracts with the Montana Correctional Enterprises License Plate Factory for the production of license plates. Estimated plate production is expected to increase by 33,000 plates per month over base year expenditures. Related to this increased usage, Montana Title Information Vehicle System (MTIVS) utilization is expected to generate additional mailing as the system is further developed.

Information Technology Consulting – The executive requests funding for information technology consulting and professional services. Funding is requested at the FY 2014 expended level for each of FY 2016 and FY 2017. The FY 2014 expended level is three times the level of the FY 2015 legislative funding.